

My Fellow Senators,

The following report is based upon meetings with Karen Pettit, the Colonel 1 Card Office Supervisor, a meeting held March 19, 2008 with President Whitlock, representatives of Higher One, and other university members, and a review of the RFP and contract between ECU and Higher One.

Impetus for Project:

The impetus for the project is both to cut administrative costs and to improve student services. In short, ECU wants to "get out of the banking business". Cutting checks for students is very expensive and therefore the University started to look for a way to outsource this function. It is unclear how much the University will be saving through outsourcing, but the cost associated with cutting checks to students is significant. ECU would also like to get students their residual financial aid funds more promptly and not in paper check form.

History of Project:

ECU sent out a RFP last year and got proposals from several banks and financial institutions. The University chose Higher One because, among other factors, it would not be offering the students credit as part of their services. Higher One is held by Frost Bank. Higher One works solely with higher education to provide student financial services. During the RFP process, Higher One reported having 66 university clients and \$2 billion in disbursements to date.

Summary of Project Once Implemented:

As currently planned, all students will be given Colonel 1 Cards as an identification card. These cards will be required for the library, gym, and anywhere else on campus that requires university ID. In addition to serving an ID function, the card will also have a Mastercard Debit Logo and a Higher One Logo. These two corporate logos are prominently displayed on the card along with the ECU logo and the new ECU Colonel logo. To start issuing the cards, Higher One will be given a database which will include student name, abbreviated birth date, photo, ECU ID number, and campus mailing address.

Faculty and staff will not receive Colonel 1 Cards, but they will need to receive new ID cards due to technical difficulties associated with using new card readers. It is not clear yet what design will be on the faculty and staff ID cards; however, there will be no Mastercard Debit Logo or Higher One Logo on the card. The card will have no other functions than current campus ID cards have.

Higher One will oversee distribution of student financial aid reimbursements and perhaps other student funds. Students have three choices on how to receive funds: (1) placed on Colonel 1 Card within 24 hours, (2) transferred to own bank account within 24-72 hours, or (3) cut a personal check within 3-5 days. Depending upon how quickly a bank processes transfers, it may be no faster to use the Colonel 1 Card than direct depositing to a local bank.

Higher One will also offer banking services for students. Any funds placed on the Colonel 1 Card can be accessed through one of three ATM's on ECU campuses (1 on main campus, 1 near Stratton, and 1 on Corbin campus). If students use any other ATM to access their money, they will be charged \$2 by Higher One and additional fees from the other bank's ATM. If ATM's on campus are not functioning properly, students will have transaction fees from Higher One waived. There is no overdraft protection or other type of credit extended to students.

Students can have their checking through Higher One. When I originally asked about terms of these checking accounts, I was unable to obtain this information. However, upon further investigation, it appears that the checking account has comparable terms and fees to other local banks. The "goal" of the checking account is touted to "be free". Terms relating to account inactivity are similar to those of other banks. Higher One also sends notices to students via e-mail prior to charging inactivity fees. Higher One will not offer any savings accounts to students or other financial opportunities offered through full-service banks. Higher One will also not have

any physical bank representatives on campus. If students have questions about their account, they must visit the website or call the toll-free number. Higher One, however, will offer all students a checking account regardless of credit history or bankruptcy status.

Documentation regarding consequences of loss or theft of the card is conflicting. While some documentation claims that students will be liable for \$50 if they report the theft or loss within 2 days and liable for \$500 if they report loss or theft after 2 days, other documentation associated with the Higher One references zero liability. The contract between ECU and Higher One states that "Higher One accepts all responsibility related to the DDA including fraudulent use of the card by persons other than the User." Representatives of Higher One also assured university representatives that the company believed that "students have no capability of absorbing financial loss" and thus any fraudulent use or loss was covered. For further information on liability issues, please visit http://www.mastercard.com/general/zero_liability.html.

Contract Terms

The contract between Higher One and ECU begins on March 31, 2008. Some pertinent terms are as follows: The original term of the contract is one year. The contract includes four one-year automatic extensions which require 120 days notice for cancellation. There are penalties involved in ECU failing to fulfill the initial terms of the contract, including \$50,000 in liquidated damages. ECU has agreed to allow Higher One to use the ECU logos on ATM cards and checks. ECU has also agreed to work with Higher One on mutually-approved marketing materials for the Colonel 1 Card. If ECU wishes to have a customized website related to the Colonel 1 Card, additional funds will be required. Higher One agrees to provide the following additional services through the Colonel 1 Card: electronic tuition checks, employee reimbursement, electronic bill pay, payroll, and alumni products. ECU will be charged the following fees: \$2.50/disbursement by check (this is capped at 33% of all disbursements), \$5.00/check reversal, \$20.00/card replacement, and 1% for on-campus spending accounts. Higher One is required to mark all materials as "confidential" and use "reasonable care" when dealing with confidential information. Higher One may disclose confidential information to subcontractors and vendors on a need-to-know basis. Higher One will be responsible if such subcontractors or vendors disclose confidential information or fail to fulfill responsibilities. Higher One is also required to provide free financial education programs to students upon request and may provide NO credit or overdraft protection to students.

Personal Concerns and Thoughts:

As I have explained before, I approach this project as both an educator and a victim of identity theft. While some of my concerns related to the project have been alleviated, I continue to be wary. Higher One wishes to present itself as a "student friendly" bank. Higher One representatives tout that they "bank to the unbankable." They also claim that they try to give students the benefit of the doubt when charging banking fees and the like. It could be that Higher One provides students an excellent option in banking, especially for those students that cannot qualify for checking accounts from other local banks. However, given the special status ECU grants Higher One, the institution could also take advantage of students. In short, Higher One could be either a benefit or a detriment to the ECU Community.

I would suggest that Senate discuss options for addressing the following issues surrounding the Higher One project: (1) Development of an assessment tool to determine student satisfaction with the Colonel 1 Card and associated checking accounts. This could be done in cooperation with Student Senate. The results of such assessment should be reviewed annually and in time for ECU administration to consider whether to extend the Higher One contract another year. (2) Implementation of appropriate financial education programs for incoming students that directly address the Colonel 1 Card and other banking options. While Higher One offers such programs for students as part of its contract with ECU, I believe that faculty should develop such educational programs in conjunction with the appropriate student services offices. (3) Assignment of a Faculty Senate Committee to review reports on the relationship of Higher One to ECU, including the cost-savings ECU enjoys as part of the relationship and any changes in the

scope relationship. This committee should also review any breaches of confidential information or other problems that arise relating to the relationship.

I apologize that I cannot attend Senate to present this report. I am traveling with the ECU Mock Trial Team to the Gold-Level National Tournament in Minneapolis. If you have any further questions or concerns, please feel free to contact me.

Sincerely,
Senator Noblitt
Department of Government